Odfjell Drilling Ltd.

Report for the 4th quarter of 2020 and preliminary results for the financial year ending 31 December 2020

This interim report is unaudited and has been prepared in accordance with IAS 34 "Interim Financial Reporting".

Key figures for the Group

All figures in USD million

Key figures Odfjell Drilling Ltd. Group	Q4 20	Q4 19	FY 20	FY 19
Operating revenue	355	221	930	823
EBITDA	171	93	420	332
EBIT	127	42	216	147
Net profit (loss)	108	11	143	41
EBITDA margin	48%	42%	45%	40%
Total assets			2,640	2,686
Net interest bearing debt			1,005	1,221
Equity			1,199	1,062
Equity ratio			45%	40%

Highlights Q4 2020

Odfjell Drilling Ltd. Group

- Operating revenue of USD 355 million compared to USD 221 million in Q4 2019.
- EBITDA of USD 171 million compared to USD 93 million in Q4 2019.
- EBITDA margin of 48% compared to an EBITDA margin of 42% in Q4 2019.
- The Group's contract backlog is USD 2.3 billion, whereof USD 1.3 billion is firm backlog. The comparable figure at the end of Q4 2019 was USD 2.3 billion, whereof USD 1.3 billion was firm backlog.

Mobile Offshore Drilling Units segment (MODU)

- Operating revenue of USD 292 million compared to USD 160 million in Q4 2019.
- EBITDA of USD 161 million compared to USD 80 million in Q4 2019.
- EBITDA margin of 55% compared to an EBITDA margin of 50% in Q4 2019.

Energy segment (Energy)

- Operating revenue of USD 45 million compared to USD 38 million in Q4 2019.
- EBITDA of USD 3 million compared to USD 6 million in Q4 2019.
- EBITDA margin of 8% compared to an EBITDA margin of 15% in Q4 2019.

Well Services segment (OWS)

- Operating revenue of USD 28 million compared to USD 31 million in Q4 2019.
- EBITDA of USD 9 million compared to USD 11 million in Q4 2019.
- EBITDA margin of 32% compared to an EBITDA margin of 37% in Q4 2019.

More work for Deepsea Atlantic

Equinor has on 18 December 2020 and 18 January 2021 added more work to Deepsea Atlantic under the continued optionality mechanism in the contract entered into between the parties in May 2018, as part of the overall Master Frame Agreement. In total two new wells has been allocated to Deepsea Atlantic to be commenced back to back with the current operations. The commercial terms are materially the same as for the recently announced Johan Sverdrup Phase 2 contract award.

The updated firm well plan is expected to be finalized end of April 2021 and Odfjell Drilling further anticipates Equinor to award more wells in 2021 to bridge the gap towards the commencement of Johan Sverdrup phase 2 in Q1 2022.

Wintershall Dea exercises options on the Brage platform for platform drilling services

Odfjell Drilling and Wintershall Dea entered into a 4+2+2 year platform drilling services contract on the Brage Platform on 13 December 2016. Odfjell Drilling is pleased to note that the parties have agreed to continue the cooperation as Winterhall Dea exercised both the 2 year options in December 2020. This means that the contract has been extended with four years with effect from mid-December 2020.

Deepsea Stavanger completed the Total contract in South Africa and has returned to Norway

As earlier informed, Total made a gas condensate discovery offshore the coast of South Africa with Deepsea Stavanger in Q4 2020 and the rig has now completed its demobilization to Norway after a very successful operation. The rig is currently at Hanøytangen shipyard preparing for its next contract with Aker BP expected to commence in April 2021. Please note that any cost incurred in Q1 2021 related to the demobilization from South Africa, will be expensed in Q1 2021.

Lundin awards letter of intent to Deepsea Stavanger

Lundin Energy Norway and Odfjell Drilling have, on 25 January 2021, signed a letter of intent for the use of Deepsea Stavanger. The letter of intent is subject to finalization of contract and final approvals from involved parties. The contract is set to commence in Q3 2021 with a duration of one (1) firm well plus eight (8) optional wells. The firm contract scope has an estimated contract value of approximate USD 11-14 million plus incentives. The contract is set to commence in Q3 2021, back-to-back with Deepsea Stavanger's upcoming five well contract with Aker BP.

COVID-19

The COVID-19 outbreak and downward shift in oil price, which both occurred during Q1 2020, have affected the global economy negatively. We have observed E&P companies taking measures to reduce their overall spending due to the uncertain situation.

Odfjell Drilling has, to a limited extent, been directly impacted by the COVID-19 outbreak as we acted quickly to implement required routines to limit the contagion of the virus. We will continue to pay attention to the situation and take actions as required and recommended by local authorities.

Financial review – operations

(Comparable figures for last comparable period in brackets)

Consolidated group financials

Profit & loss Q4 2020

Operating revenue for Q4 2020 was USD 355 million (USD 221 million), an increase of USD 134 million. The increase is mainly in the MODU segment and is primarily due to drilling operations in South Africa.

EBITDA in Q4 2020 was USD 171 million (USD 93 million), an increase of USD 78 million, mainly due to increased EBITDA in the MODU segment in relation to the drilling operations in South Africa.

The EBITDA margin in Q4 2020 was 48% (42%).

EBIT in Q4 2020 was USD 127 million (USD 42 million), an increase of USD 85 million.

Net financial expenses in Q4 2020 amounted to USD 20 million (USD 31 million). The decrease in net expenses of USD 11 million from Q4 2019 to Q4 2020 was mainly explained by reduced interest expenses and change in net currency gains and losses.

In Q4 2020, the income taxes was positive with USD 1 million (income tax expense USD 1 million).

Net profit in Q4 2020 was USD 108 million (USD 11 million).

Profit & loss FY 2020

Operating revenue for FY 2020 was USD 930 million (USD 823 million), an increase of USD 107 million. The increase is mainly in the MODU segment and is primarily due to drilling operations in South Africa.

EBITDA in FY 2020 was USD 420 million (USD 332 million), an increase of USD 88 million, mainly due to increased EBITDA in the MODU segment as explained above.

The EBITDA margin in FY 2020 was 45% (40%).

EBIT in FY 2020 was USD 216 million (USD 147 million), an increase of USD 69 million.

Net financial expenses in FY 2020 amounted to USD 71 million (USD 103 million). The decrease in net expenses of USD 32 million from FY 2019 to FY 2020 was explained by reduced interest expenses and change in fair value of derivatives.

In FY 2020, the tax expense was USD 2 million (USD 3 million).

Net profit in FY 2020 was USD 143 million (USD 41 million).

Balance sheet

Total assets as at 31 December 2020 amounted to USD 2,640 million (USD 2,686 million as at 31 December 2019), a decrease of USD 46 million.

Total equity as at 31 December 2020 amounted to USD 1,199 million (USD 1,062 million as at 31 December 2019) an increase of USD 137 million. The equity ratio was 45% as at 31 December 2020 (40% as at 31 December 2019).

Net interest bearing debt as at 31 December 2020 amounted to USD 1,005 million (USD 1,221 million as at 31 December 2019), a decrease of USD 216 million.

Cash flow Q4 2020

Net cash flow from operating activities in Q4 2020 was positive with USD 157 million (USD 76 million). The Group paid USD 15 million (USD 22 million) in interest.

Net cash outflow from investing activities in Q4 2020 was USD 31 million (USD 17 million), mainly due to purchase of fixed assets.

Net cash outflow from financing activities in Q4 2020 was USD 71 million (USD 22 million). The Group paid USD 68 million (55 million) in instalments on credit facilities and leases in Q4 2020.

Cash flow FY 2020

Net cash flow from operating activities in FY 2020 was positive with USD 346 million (USD 198 million). The Group paid USD 67 million (USD 78 million) in interest related to operating activities.

Net cash outflow from investing activities in FY 2020 was USD 113 million (USD 428 million) mainly due to purchase of fixed assets.

Net cash outflow from financing activities in FY 2020 was USD 193 million (Cash flow of USD 231 million). The Group paid USD 214 million in instalments on credit facilities and leases in FY 2020, while USD 25 million was drawn on the Odfjell Invest junior facility.

At 31 December 2020 cash and cash equivalents amounted to USD 207 million. There has been a total positive net change in cash and cash equivalents of USD 37 million since 31 December 2019.

Segments

As of 1 January 2020 the internal reporting of the segments is prepared according to IFRS. Comparative figures are adjusted accordingly.

Mobile Offshore Drilling Units

All figures in USD million

Key figures MODU segment	Q4 20	Q4 19	FY 20	FY 19
Operating revenue…………………………………………	292	160	704	599
EBITDA………………………………………………………	161	80	375	291
EBIT…………………………………………………………	126	37	206	138
EBITDA margin…………………………………………	55%	50%	53%	49%

Operating revenue for the MODU segment in Q4 2020 was USD 292 million (USD 160 million), an increase of USD 132 million. The main variation is Deepsea Stavanger with an increase in revenue of USD 150 million, reflecting completion of the successful project in South Africa. Deepsea Bergen shows a negative variation of USD 16 million from last year, as the rig was out of operation for the entire quarter. The rig was disposed for recycling in December 2020.

EBITDA for the MODU segment in Q4 2020 was USD 161 million (USD 80 million), an increase of USD 81 million. The change is due to an increase in EBITDA for Deepsea Stavanger of USD 90 million, reflecting completion of the successful project in South Africa. This is partly offset by lower EBITDA from Deepsea Aberdeen and Deepsea Bergen in Q4 2020.

EBIT for the MODU segment in Q4 2020 was USD 126 million (USD 37 million), an increase of USD 89 million, mainly due to higher EBIT for Deepsea Stavanger.

Operating revenue for the MODU segment FY 2020 was USD 704 million (USD 599 million), an increase of USD 105 million. The main variations are explained by the successful operation of Deepsea Stavanger in South Africa and first full year operations for Deepsea Nordkapp in 2020, partly offset by lower revenue contribution from Deepsea Bergen which finalized its last contract in March 2020. All income in connection with Deepsea Stavanger's operation for Total in South Africa, including demobilisation fees, has been recognised in 2020.

EBITDA for the MODU segment in FY 2020 was USD 375 million (USD 291 million), an increase of USD 84 million. The main variations are the same as explained above.

EBIT for the MODU segment in FY 2020 was USD 206 million (USD 138 million), an increase of USD 68 million.

MODU - Financial utilisation

The financial utilisation for each of the Group's fully owned mobile offshore drilling units was as follows:

Financial Utilisation - MODU	Q4 20	Q4 19	FY 20	FY 19
Deepsea Stavanger…………………………………………	100.0 %	99.2 %	99.2 %	98.7 %
Deepsea Atlantic……………………………………………	98.3 %	97.1 %	98.9 %	97.8 %
Deepsea Bergen………………………………………………	n/a	91.3 %	92.7 %	97.3 %
Deepsea Aberdeen…………………………………………	100.0 %	96.0 %	92.1 %	97.2 %
Deepsea Nordkapp ………………………………………	99.2 %	96.1 %	99.0 %	98.0 %

- Deepsea Stavanger completed its operation for Total in South Africa on 23 November 2020 and thereafter demobilized to Norway. Next contract with Aker BP is scheduled to commence in April 2021.
- Deepsea Atlantic has been operating for Equinor on the NCS in Q4 2020.
- Deepsea Bergen finalized its last contract on 23 March 2020. The unit has been disposed for recycling.
- Deepsea Aberdeen was on contract with BP in Q4 2020.
- Deepsea Nordkapp has been operating for Aker BP on the NCS in Q4 2020.

Energy

All figures in USD million

Key figures Energy segment	Q4 20	Q4 19	FY 20	FY 19
Operating revenue………………………………………………	45	38	156	147
EBITDA……………………………………………………………	3	6	15	17
EBIT………………………………………………………………	3	6	15	17
EBITDA margin…………………………………………………	8%	15%	10%	12%

Operating revenue for the Energy segment in Q4 2020 was USD 45 million (USD 38 million), an increase of USD 7 million compared to Q4 2019. The increase is mainly attributable to changes in contract portfolio in Platform Drilling.

EBITDA for the Energy segment in Q4 2020 was USD 3 million (USD 6 million), a decrease of USD 3 million compared to same period in 2019. The EBITDA margin for the Energy segment in Q4 2020 was 8% (15%). The reason for the decrease is mainly explained by less start up compensation in this quarter compared with Q4 2019.

EBIT for the Energy segment Q4 2020 was USD 3 million (USD 6 million), a decrease of USD 3 million.

Operating revenue for the Energy segment in FY 2020 was USD 156 million (USD 147 million), an increase of USD 9 million compared to FY 2019. The increase is attributable to changes in contract portfolio in Platform Drilling and increased delivery of engineering and execution work due to more yard stays for MODU segment in 2020.

EBITDA for the Energy segment in FY 2020 was USD 15 million (USD 17 million), a decrease of USD 2 million compared to 2019. The EBITDA margin for the Energy segment in FY 2020 was 10% (12%).

EBIT for the Energy segment FY 2020 was USD 15 million (USD 17 million).
All changes in FY figures are reflective of changes mentioned above.

Well Services

All figures in USD million

Key figures Well Services segment	Q4 20	Q4 19	FY 20	FY 19
Operating revenue…………………………………………	28	31	104	111
EBITDA………………………………………………………	9	11	32	32
EBIT…………………………………………………………	2	5	7	9
EBITDA margin…………………………………………	32%	37%	31%	29%

Operating revenue for the OWS segment in Q4 2020 was USD 28 million (USD 31 million), a decrease of USD 3 million. The Norwegian market has improved from the same period last year whereas in the other European countries and Middle East, Asia and Africa region (MEAA region) the operations have been impacted by restrictions and delays due to the COVID-19 pandemic.

EBITDA for the OWS segment in Q4 2020 was USD 9 million (USD 11 million), a decrease of USD 2 million. EBITDA margin for the OWS segment in Q4 2020 was 32% (37%). In Norway, the profitability has improved due to a new product line and higher activity. As noted above the European and MEAA regions' have been impacted by lower activity.

EBIT for the OWS segment in Q4 2020 was USD 2 million (USD 5 million).

Operating revenue for the OWS segment in FY 2020 was USD 104 million (USD 111 million), a decrease of USD 7 million, for the same reasons as explained above.

EBITDA for the OWS segment in FY 2020 was USD 32 million (USD 32 million). EBITDA margin for the OWS segment in FY 2020 was 31% (29%). Despite the mentioned COVID-19 challenges faced during 2020, the Norwegian market has seen a significant improvement compared to 2019, partly offset by lower activity in other areas as described above.

EBIT for the OWS segment in FY 2020 was USD 7 million (USD 9 million).

Environmental, social and governance (ESG)

Odfjell Drilling has taken an active part in reducing its carbon footprint and has an overall strategy to become a zero emission drilling company. By focusing on energy optimization of operational procedures, crew awareness and fuel saving battery-hybrid technology, Odfjell Drilling has already made significant reduction of its emissions.

The company is currently evaluating further steps to 100% electrify our drilling units such as green onshore power and offshore wind. The latter example is supported by our investment and initiative in Oceanwind AS.

Odfjell Drilling has furthermore been admitted to SINTEF's LowEmission Research Centre as the only drilling contractor. The Centre will develop new technologies and concepts for offshore energy systems, energy efficiency and integration with renewable power production technologies for application on the

Norwegian Continental Shelf. Members consist of operators, vendor/service companies and academic research- and development institutions.

Outlook

The drilling and oil service market has developed positively in recent years due to strong focus on cost discipline and more efficient operations, combined with a healthier oil price development. We have over time observed an increased appetite for field development and production spending across the segment, however with some regional differences.

The negative developments in 2020, with the COVID-19 outbreak and the drop in the oil price, have however increased the uncertainty within the drilling and oil service market. Although the oil price has recently recovered to above USD 50 per barrel, we note that the oil companies globally have adjusted their activities for the short to medium term. Additionally, the strong shift in the energy discussion towards renewable sources has created discussion about energy composition for the future.

As noted in previous outlook comments, the general situation for the global offshore industry is challenging with oversupply in several segments. The abovementioned challenges have enforced such situation and currently we observe that the several of the global offshore drilling contractors are, or will likely be, in restructuring processes during 2021. The oversupply issues are mainly tied to ultra deep water and benign water segments - the harsh environment segment looks very different.

We consequently expect the overall utilization of the global drilling fleet to remain at low levels, particularly for those segments with high overcapacity. For the harsh environment market where Odfjell Drilling operates in, the utilization outlook looks sound and in balance. Additionally, the strong focus on high efficiency combined with low emissions favour contractors with such capabilities and focus.

Odfjell Drilling is benefiting of having a modern fleet of high-end harsh environment 6th generation units and strategic frame agreements with major oil companies operating in harsh environment. Our Group has been successful in adding more backlog due to our operational track record, strong client relationships combined with a healthy balance sheet. Norwegian government has granted a temporary tax incentive scheme tailored for E&P companies on the NCS which will trigger increased activity over the next few years.

After a successful drilling campaign in South Africa for Total, Deepsea Stavanger is now back in Norway and is currently preparing for its next contract with Aker BP in April this year. Following this, Lundin has awarded a 1+8 well LOI to Deepsea Stavanger.

Deepsea Atlantic is currently operating for Equinor under the Master Frame Agreement (MFA) with firm operations to end of April 2021. Equinor continues to add wells under the continued optionality mechanism in the overall Master Frame Agreement and we expect this to continue until the commencement of Johan Sverdrup phase 2 drilling campaign expected to commence in Q1 2022.

Following the early termination of Deepsea Aberdeen's contract with BP Exploration on 21 September 2020, the drilling unit was simultaneously awarded a contract by Wintershall Dea Norge AS on the NCS. The Wintershall contract was entered concurrently with the BP termination and as a condition for the effectiveness of the termination. Deepsea Aberdeen commenced the Wintershall contract mid February

2021 and we expect the operations to end back to back with the awarded Breidablikk contract commencing spring 2022.

Deepsea Nordkapp commenced operations for Aker BP under the Alliance agreement on 10 May 2019. The firm period, after exercise of the first option, will take the unit to end of Q2 2022, with an additional one year option.

OWS is still facing fierce competition for its services globally. We have observed an increase in operational activity in the Norwegian market, and expect in the short to medium term to face an overall increase in activity level for OWS. The COVID-19 pandemic development may impact the market improvement.

Lastly, the Energy segment has experienced an increase in demand for its services over the period related to Special Period Surveys. In general, the market for platform drilling activities has traditionally been stable during the last decade.

Risks and uncertainties

In addition to risks highlighted above regarding Covid 19, in the Group's view, factors that could cause actual results to differ materially from the outlook contained in this report are the following: volatile oil and gas prices, competition within the oil and gas services industry, changes in clients' spending budgets and developments in the financial and fiscal markets and within the Group. Furthermore, as the Group's fully owned fleet consists of four units, any operational downtime or any failure to secure employment at satisfactory rates will affect the Group's results more significantly than for a group with a larger fleet.

The substantial reduction in market capitalisation for the oil and gas service providers has led financial institutions to focus on contract backlog as the major criteria for debt financing. The market for rig financing is challenging and additional funding sources may not be available to the Group in the future for refinancing existing facilities as they mature.

The uncertainties and volatility in today's financial markets represent a risk for the Group with respect to funding should these market conditions continue over time. The market outlook and contract situation for the Group's mobile offshore drilling units may also affect covenant risk since reduced revenues from drilling operations directly affect the operating results and cash flow from operations. Total liquidity position continues to be monitored. The Group has, in recent years, implemented cost reduction and efficiency improvement programs, and continued its focus on capital discipline in order to improve its competitiveness in this challenging market.

Quality, health, safety & environment (QHSE)

Key figures QHSE	FY 20	FY 19
Lost time incident frequency (as per 1 million working hours)……………………	1.5	1.4
Total recordable incident frequency (as per 1 million working hours)………..	4.7	3.2
Sick leave (percentage)………………………………………………………………………	3.0	2.8
Dropped objects frequency (as per 1 million working hours)…………………….	4.8	2.5
Number of employees…………………………………………………………………………	2,628	2,579

Aberdeen, United Kingdom
24 February 2021

Board of Directors of Odfjell Drilling Ltd.

Helene Odfjell, Chairman

Susanne Munch Thore, Director

Alasdair Shiach, Director

Thomas Marsoner, Director

Appendix 1: Definitions of alternative performance measures

Contract backlog
The Company's fair estimation of revenue in firm contracts and relevant optional periods for MODU and Platform Drilling measured in USD - subject to variations in currency exchange rates.

EBIT
Earnings before interest and taxes

EBIT margin
EBIT/Operating revenue

EBITDA
Earnings before interest, taxes, depreciation and appreciation

EBITDA margin
EBITDA/Operating revenue

Equity ratio
Total equity/total equity and liabilities

Financial utilisation
Financial utilisation is measured on a monthly basis and comprises the actual recognised revenue for all hours in a month, expressed as a percentage of the full day rate for all hours in a month. Financial utilisation is only measured for periods on charter.

Net interest-bearing debt
Non-current interest-bearing borrowings plus current interest-bearing borrowings less cash and cash equivalents. Interest-bearing borrowings do not include lease liabilities.

Net (loss) profit
Equal to Profit (loss) for the period after taxes

Odfjell Drilling Ltd.

Condensed Consolidated Financial Statements

4th quarter of 2020 and preliminary results for the financial year ending 31 December 2020

Unaudited

Condensed Consolidated Income Statement

USD thousands	Note	Q4 20	Q4 19	FY 20	FY 19
Operating revenue	2,3	**355,420**	**220,697**	**929,739**	**823,195**
Other gains and losses		1,516	553	2,531	1,312
Personnel expenses		(111,709)	(90,179)	(340,303)	(328,353)
Other operating expenses		(74,602)	(38,355)	(171,563)	(164,395)
EBITDA		**170,626**	**92,716**	**420,403**	**331,759**
Depreciation, amortisation and impairment	5,6,7	(43,951)	(50,925)	(203,962)	(185,192)
Operating profit (EBIT)		**126,675**	**41,791**	**216,441**	**146,567**
Net financial items	14	(20,026)	(30,649)	(70,798)	(102,762)
Profit/(loss) before taxes		**106,649**	**11,142**	**145,643**	**43,805**
Income taxes		1,015	(614)	(2,339)	(2,984)
Profit/(loss)		**107,664**	**10,528**	**143,304**	**40,820**
Profit/(loss) attributable to:					
Non-controlling interests		(73)	-	(73)	-
Owners of the parent		107,738	10,528	143,377	40,820
Earnings per share (USD)					
Basic earnings per share	10	0.45	0.08	0.57	0.14
Diluted earnings per share	10	0.45	0.08	0.57	0.14

Condensed Consolidated Statement of Comprehensive Income

USD thousands	Note	Q4 20	Q4 19	FY 20	FY 19
Profit/(loss) for the period		**107,664**	**10,528**	**143,304**	**40,820**
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Actuarial gain / (loss) on post employment benefit obligations		847	3,820	(2,039)	(304)
Items that are or may be reclassified to profit or loss:					
Cash flow hedges		6,315	1,944	(7,303)	1,124
Currency translation differences		12,580	7,994	4,837	446
Total		18,895	9,938	(2,465)	1,569
Other comprehensive income, net of taxes		**19,742**	**13,758**	**(4,504)**	**1,265**
Total comprehensive income		**127,406**	**24,287**	**138,799**	**42,085**
Total comprehensive income attributable to:					
Non-controlling interests		(21)	-	(21)	-
Owners of the parent		127,427	24,287	138,820	42,085

Condensed Consolidated Statement of Financial Position

USD thousands	Note	31.12.2020	31.12.2019
Assets			
Deferred tax asset		1,040	777
Intangible assets	5	28,892	29,678
Property, plant and equipment	6,7	2,203,387	2,280,867
Financial non-current assets	4	2,588	1,726
Total non-current assets		**2,235,908**	**2,313,048**
Trade receivables		161,889	174,158
Contract assets		9,898	9,392
Other current assets	4	25,900	20,104
Cash and cash equivalents		206,895	169,694
Total current assets		**404,583**	**373,348**
Total assets		**2,640,491**	**2,686,396**
Equity and liabilities			
Paid-in capital	13	564,959	564,959
Other equity		632,909	497,419
Equity attributable to owners of the parent		**1,197,868**	**1,062,378**
Non-controlling interests		636	-
Total equity		**1,198,503**	**1,062,378**
Non-current interest-bearing borrowings	11	695,792	1,173,882
Non-current lease liabilities	7	36,920	38,901
Post-employment benefits		6,902	7,725
Non-current contract liabilities		3,688	1,559
Other non-current liabilities	4	16,623	9,663
Total non-current liabilities		**759,925**	**1,231,730**
Current interest-bearing borrowings	11	515,799	216,581
Current lease liabilities	7	7,633	7,757
Contract liabilities		14,003	39,265
Trade payables		52,667	46,168
Other current liabilities	4	91,961	82,517
Total current liabilities		**682,063**	**392,288**
Total liabilities		**1,441,987**	**1,624,018**
Total equity and liabilities		**2,640,491**	**2,686,396**

Condensed Consolidated Statement of Changes in Equity

USD thousands	Paid-in capital	Other equity	Attributable to owners of the parent	Attributable to common shares	Attributable to preference shares	Non-controlling interests	Total equity
Balance at 1 January 2019	564,959	458,714	1,023,673	946,464	77,209	-	1,023,673
Profit/(loss) for the period	-	40,820	40,820	33,003	7,817	-	40,820
Other comprehensive income for the period	-	1,265	1,265	1,265		-	1,265
Total comprehensive income for the period	-	42,085	42,085	34,268	7,817	-	42,085
							-
Dividend to preference share holders	-	(3,909)	(3,909)	-	(3,909)	-	(3,909)
Cost of Share-option plan	-	528	528	528	-	-	528
Transactions with owners for the period	-	(3,381)	(3,381)	528	(3,909)	-	(3,381)
Balance at 31 December 2019	**564,959**	**497,419**	**1,062,378**	**981,260**	**81,118**	**-**	**1,062,378**
Profit/(loss) for the period	-	143,377	143,377	135,164	8,213	(73)	143,304
Other comprehensive income for the period	-	(4,557)	(4,557)	(4,557)	-	53	(4,504)
Total comprehensive income for the period	-	138,820	138,820	130,607	8,213	(21)	138,799
Dividend to preference share holders	-	(4,107)	(4,107)	-	(4,107)	-	(4,107)
Non-controlling interest on acquisition of a subsidiary	-	-	-	-	-	549	549
Transactions with non-controlling interests	-	247	247	247	-	108	355
Cost of Share-option plan	-	529	529	529	-	-	529
Transactions with owners	-	(3,330)	(3,330)	776	(4,107)	656	(2,674)
Balance at 31 December 2020	**564,959**	**632,909**	**1,197,868**	**1,112,644**	**85,224**	**636**	**1,198,503**

Condensed Consolidated Statement of Cash Flows

USD thousands	Note	Q4 20	Q4 19	FY 20	FY 19
Cash flows from operating activities:					
Profit/(loss) before tax		106,649	11,142	145,643	43,805
Adjustment for provisions and other non-cash elements		67,272	76,478	266,518	281,642
Changes in working capital		(421)	10,624	3,424	(46,640)
Cash generated from operations		***173,499***	***98,244***	***415,584***	***278,808***
Interest paid		(15,482)	(21,647)	(66,648)	(77,940)
Net income tax (paid) / refunded		(722)	(1,039)	(3,194)	(2,549)
Net cash flow from operating activities		**157,295**	**75,558**	**345,743**	**198,319**
Cash flows from investing activities:					
Purchase of property, plant and equipment	5,6	(32,548)	(19,777)	(114,047)	(425,579)
Capitalised interest paid		-	-	-	(7,027)
Proceeds from sale of property, plant and equipment		1,509	2,485	3,130	3,345
Other long term receivables		(110)	(2)	(2,461)	46
Cash used in obtaining control of subsidiaries		0	-	(100)	-
Proceeds from transactions with non-controlling interests		355	-	355	-
Proceeds from financial investments incl. joint ventures		(0)	(1)	(0)	967
Net cash flow from investing activities		**(30,793)**	**(17,294)**	**(113,123)**	**(428,247)**
Cash flows from financing activities:					
Net (payments)/proceeds from borrowings financial institutions	11	-	35,000	25,000	805,162
Repayment of borrowings to financial institutions	11	(67,053)	(54,053)	(208,211)	(564,253)
Repayment of lease liabilities	7	(1,406)	(1,047)	(5,822)	(6,297)
Dividends paid to preference share holders		(2,090)	(1,994)	(4,107)	(3,909)
Net cash flow from financing activities		**(70,549)**	**(22,094)**	**(193,139)**	**230,704**
Effects of exchange rate changes on cash and cash equivalents		2,340	2,186	(2,279)	(5,843)
Net increase (decrease) in cash and cash equivalents		**58,292**	**38,356**	**37,201**	**(5,067)**
Cash and cash equivalents at beginning of period		148,603	131,338	169,694	174,761
Cash and cash equivalents at period end		**206,895**	**169,694**	**206,895**	**169,694**

Note 1 | Accounting Principles

General information

Odfjell Drilling Ltd. ('the Company') and its subsidiaries (together 'the Group') operate mobile offshore drilling units in addition to providing well services and drilling & technology services.

Odfjell Drilling Ltd., is incorporated in Bermuda with registered address at Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda and is tax resident in the United Kingdom with its head office at Bergen House, Crawpeel Road, Altens, Aberdeen, AB12 3LG.

These condensed interim financial statements were approved by the Board of Directors on 24 February 2021 and have not been audited.

Basis for preparation

These condensed interim financial statements for the twelve months period ended 31 December 2020 have been prepared in accordance with IAS 34, 'Interim financial reporting'. These condensed consolidated interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2019.

Going concern

Factors that, in the Group's view, could cause actual results to differ materially from the outlook contained in this report are the following: volatile oil and gas prices, competition within the oil and gas services industry, changes in client's spending budgets, the developments in the financial markets and within the Group.

The volatility in market capitalisation for the oil and gas service providers has led the financial institutions to focus on contract backlog as the major criteria for debt financing. The market for rig financing is still challenging and additional funding sources may not be available to the Group in the future for refinancing existing facilities as they mature. The uncertainties and volatility in today's financial market represent a risk for the Group with respect to funding, and hence the going concern principle, should these market conditions continue over time.

Taking all relevant risk factors and available options for financing into consideration the Board has a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future.

Accounting principles

The accounting principles adopted are consistent with those of the previous financial year.

Use of estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

There will always be uncertainty related to judgement and assumptions related to accounting estimates. Reference is made to *Note 5 Intangible assets*, and *Note 6 Property, plant and equipment* where assumptions and sensitivity analysis for goodwill and mobile drilling units are presented.

Income tax expense and deferred income tax liability is calculated by applying the tax rate for each individual jurisdiction to measures of income for each jurisdiction.

Note 2 | Segment summary

The Board is the Group's chief operating decision maker. Management has determined the operating segments based on the information reviewed by the Board for the purposes of allocating resources and assessing performance. Mobile Offshore Drilling Units business segment (MODU), Odfjell Energy business segment (Energy) and Odfjell Well Services business segment (OWS) have been determined as the operating segments.

The Group's internal reporting is from January 2020 prepared according to IFRS. Comparative figures are adjusted accordingly.

- **MODU:** In the MODU segment, the Group operates drilling units owned by the Group and by third parties. The MODU segment also offers management services to other owners of drilling units; mainly operational management, management of regulatory requirements, marketing, contract negotiations and client relations, preparations for operation and mobilisation.

- **Energy:** Odfjell Drilling has during 2020 decided to rebrand the Drilling & Technology segment to the Energy segment. Within the Energy segment, the Platform Drilling business area provides integrated drilling and maintenance services for fixed platform drilling rigs in the North Sea. The Technology business area offers engineering services, including design, project management and operation and support. The Energy segment will also develop growth within new business areas where the strategy is to create a footprint within sustainable energy solutions.

- **OWS:** The OWS segment provides casing and tubular running services, wellbore cleaning in addition to drilling tool and tubular rental services both for exploration wells and for production purposes.

	Mobile Offshore Drilling Units		Energy		Well Services		Corporate / Eliminations		Consolidated	
USD thousands	Q4 20	Q4 19	Q4 20	Q4 19	Q4 20	Q4 19	Q4 20	Q4 19	Q4 20	Q4 19
External segment revenue	292,140	160,159	42,778	33,488	18,839	23,861	1,663	3,189	355,420	220,697
Inter segment revenue	-	-	2,350	4,612	8,775	6,672	(11,125)	(11,284)	-	-
Total revenue	**292,140**	**160,159**	**45,128**	**38,100**	**27,614**	**30,533**	**(9,462)**	**(8,095)**	**355,420**	**220,697**
EBITDA	**161,066**	**79,928**	**3,478**	**5,554**	**8,892**	**11,250**	**(2,810)**	**(4,016)**	**170,626**	**92,716**
Depreciation and impairment	(34,834)	(43,019)	(21)	(25)	(6,774)	(5,800)	(2,322)	(2,081)	(43,951)	(50,925)
EBIT	**126,232**	**36,909**	**3,457**	**5,529**	**2,118**	**5,450**	**(5,132)**	**(6,097)**	**126,675**	**41,791**
Net financial items									(20,026)	(30,649)
Profit / (loss) before tax - Consolidated Group									**106,649**	**11,142**

	Mobile Offshore Drilling Units		Energy		Well Services		Corporate / Eliminations		Consolidated	
	FY 20	FY 19	FY 20	FY 19	FY 20	FY 19	FY 20	YTD 19	FY 20	FY 19
External segment revenue	703,881	598,915	142,316	130,551	76,703	85,348	6,838	8,380	929,739	823,195
Inter segment revenue	-	-	13,265	16,352	27,164	25,834	(40,430)	(42,186)	-	-
Total revenue	**703,881**	**598,915**	**155,582**	**146,904**	**103,868**	**111,182**	**(33,591)**	**(33,806)**	**929,739**	**823,195**
EBITDA	**375,284**	**291,314**	**15,184**	**17,410**	**32,266**	**32,099**	**(2,331)**	**(9,063)**	**420,403**	**331,759**
Depreciation and impairment	(169,484)	(153,507)	(99)	(84)	(25,409)	(22,986)	(8,970)	(8,616)	(203,962)	(185,192)
EBIT	**205,800**	**137,807**	**15,085**	**17,326**	**6,858**	**9,113**	**(11,302)**	**(17,679)**	**216,441**	**146,567**
Net financial items									(70,798)	(102,762)
Profit / (loss) before tax - Consolidated Group									**145,643**	**43,805**

Note 3 | Revenue

USD thousands	Q4 20	Q4 19	FY 20	FY 19
Revenue from contracts with customers	348,266	210,363	901,117	790,312
Other operating revenue	7,154	10,333	28,622	32,883
Operating revenue	**355,420**	**220,697**	**929,739**	**823,195**

Disaggregation of revenue

	Mobile Offshore Drilling Units		Energy		Well Services		Corporate / Elimination		Consolidated	
USD thousands	Q4 20	Q4 19	Q4 20	Q4 19	Q4 20	Q4 19	Q4 20	Q4 19	Q4 20	Q4 19
Primary geographical markets										
Norway	79,033	120,078	31,445	24,030	14,604	15,726	(4,897)	(7,314)	120,184	152,519
UK	32,198	40,081	13,684	14,070	2,722	1,839	(1,412)	(690)	47,192	55,300
Europe - other countries	-	-	-	-	3,672	5,650	-	-	3,672	5,650
Asia	-	-	-	-	3,662	7,098	(183)	(91)	3,479	7,007
Africa	180,909	-	-	-	2,889	201	(2,971)	-	180,827	201
Other geographical markets	-	-	-	-	65	20	-	-	65	20
Total operating revenue	**292,140**	**160,159**	**45,128**	**38,100**	**27,614**	**30,533**	**(9,462)**	**(8,095)**	**355,420**	**220,697**

	Mobile Offshore Drilling Units		Energy		Well Services		Corporate / Elimination		Consolidated	
USD thousands	FY 20	FY 19	FY 20	FY 19	FY 20	FY 19	FY 20	FY 19	FY 20	FY 19
Primary geographical markets										
Norway	349,128	364,521	103,013	93,126	55,085	49,766	(25,204)	(30,289)	482,023	477,124
UK	139,396	166,079	52,568	53,778	9,267	9,906	(3,707)	(3,637)	197,524	226,125
Europe - other countries	-	-	-	-	15,962	22,769	-	-	15,962	22,769
Asia	308	487	-	-	18,097	27,508	(133)	120	18,272	28,115
Africa	215,048	67,829	-	-	5,199	1,024	(4,548)	-	215,700	68,853
Other geographical markets	-	-	-	-	258	209	-	-	258	209
Total operating revenue	**703,881**	**598,915**	**155,582**	**146,904**	**103,868**	**111,182**	**(33,591)**	**(33,806)**	**929,739**	**823,195**

Note 4 | Financial risk management and Financial instruments

Financial risk factors
The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Group's refinancing risk is diversified with each loan facility maturing at different times until June 2024 - see repayment schedule and additional information in note 11. The Odfjell Drilling Services Ltd. facility is maturing in November 2021, with then outstanding USD 150 million. In addition, the commercial tranche of the Odfjell Rig III Ltd facility is maturing in November 2021, with then outstanding USD 65 million. In case the commercial tranche is not extended at terms acceptable to the ECA lenders, the ECA tranches of USD 120 million may also fall due in November 2021.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; consequently they should be read in conjunction with the Group's annual audited financial statements as at 31 December 2019.

The COVID-19 outbreak and downward shift in oil price, which both occurred during Q1 2020, have affected the global economy negatively. We have observed E&P companies taking measures to reduce their overall spending due to the uncertain situation.

Odfjell Drilling has, to a limited extent, been directly impacted by the COVID-19 outbreak as we acted quickly to implement required routines to limit the contagion of the virus. We will continue to pay attention to the situation and take actions as required and recommended by local authorities.

Calculation of the Group’s sensitivity to interest rate fluctuations showed that the effect of an increase in interest rates by one percentage point (e.g. from 4.0% to 5.0%) is approximately USD 5 million for the next 12 months including interest rate swaps, which is approximately USD 5 million lower than at year-end 2019.

Liquidity risk
Operating in more than 20 jurisdictions Odfjell Drilling do from time to time receive enquiries from authorities about compliance related matters. The Group has per 31 December 2020 not received any formal material assessment which is not recognised in the financial statements. However, there might be a risk of demand for payment from relevant authorities during such process, even if the final conclusion is in the Groups favour.
Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities, except changes in non-current liabilities as disclosed in note 11.

Credit risk
Compared to year end, there was no material change in credit risk for the Group.

Fair value estimation
The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:
- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3). For short term assets and liabilities at level 3, the value is approximately equal to the carrying amount.

Note 4 | Financial risk management and Financial instruments - cont.

Set out below, is an overview of financial assets, other than cash and cash equivalents, held by the Group:

USD thousands	Level	31.12.2020	31.12.2019
Financial assets at fair value through profit or loss			
Derivatives not designated as hedging instruments			
- Foreign exchange forward contracts - Other current assets	2	1,360	23
Derivatives designated as hedging instruments			
- Interest rate swaps - Other non-current assets	2	-	1,606
- Foreign exchange forward contracts - Other current assets	2	4,366	-
Debt instruments at amortised cost			
- Other non-current receivables	3	2,588	120
- Trade and other current receivables	3	178,388	187,521
Total financial assets		**186,702**	**189,270**

USD thousands	Level	31.12.2020	31.12.2019
Financial liabilities at fair value through profit or loss			
Derivatives not designated as hedging instruments			
- Interest rate swaps - Other non-current liabilities	2	828	70
Derivatives designated as hedging instruments			
- Interest rate swaps - Other non-current liabilities	2	10,545	482
Warrant liabilities - Other non-current liabilities	3	5,250	9,111
Financial liabilities at amortised cost			
- Non-current lease liabilities	3	36,920	38,901
- Current lease liabilities	3	7,633	7,757
- Trade and other payables	3	119,186	106,920
- Non-current interest-bearing borrowings	3	695,792	1,173,882
- Current interest-bearing borrowings	3	515,799	216,581
Total financial liabilities		**1,391,953**	**1,553,704**

Valuation techniques used to derive Level 2 fair values

Level 2 derivatives held at fair value through profit or loss and hedging derivatives comprise interest rate swaps and foreign exchange agreements. Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves. Interest rate swaps and foreign exchange agreements are recognised according to mark-to-market reports from external financial institutions. The effects of discounting are generally insignificant for Level 2 derivatives.

Fair value of financial liabilities measured at amortised cost

The fair value of interest-bearing borrowings are as follows:

	31.12.2020	31.12.2019
Non-current	695,792	1,173,882
Current	515,799	216,581
Total	**1,211,591**	**1,390,462**

The fair value of the following financial assets and liabilities approximate their carrying amount:
- Other non-current receivables
- Trade and other current receivables
- Cash and cash equivalents (excluding bank overdrafts)
- Trade and other payables
- Non-current lease liabilities
- Current lease liabilities

Note 5 | Intangible assets

USD thousands	Goodwill	Software and other intangible assets	Total intangible assets
Opening net book amount as at 1 January 2020	18,443	11,235	29,678
Additions	-	1,429	1,429
Acquisition of subsidiary	680	-	680
Amortisation	-	(3,542)	(3,542)
Currency translation differences	617	30	647
Closing net book amount as at 31 December 2020	**19,740**	**9,152**	**28,892**
Opening net book amount as at 1 January 2019	18,638	11,173	29,811
Additions	-	3,266	3,266
Amortisation	-	(3,090)	(3,090)
Currency translation differences	(195)	(114)	(309)
Closing net book amount as at 31 December 2019	**18,443**	**11,235**	**29,678**

Acquisition of subsidiary relates to USD 1.1 million investment in Oceanwind AS as at 30 September 2020. The Group has a financial interest of about 28% as at 31 December 2020, but Oceanwind is included in consolidated financial statements because the Group has control. Control is achieved because the Group is exposed to variable returns from its involvement with Oceanwind and has the ability to affect those returns through its power over the entity.

Note 5 | Intangible assets - cont.

Impairment tests for goodwill

Goodwill is monitored by management at the operating segment level. The Energy segment, as well as the Well Services segment, only consist of one Cash Generation Unit (CGU) each. The Mobile Offshore Drilling Units segment consist of Owned rigs and Management of other rigs. Only cash flow from Management of other rigs is used in the impairment test of goodwill, as the cash flow from Owned rigs is allocated to fixed assets.

The recoverable amount of the CGUs has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on prognoses made by management covering a five-year period. The prognosis for the EBITDA margin in 2020 and the following years is based on past performance and expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax weighted average cost of capital and reflect specific risks relating to the relevant operating segments.

These assumptions have been used for the analysis of each CGU within the operating segment. Impairment tests performed for goodwill within respective CGU's do not indicate any impairment requirement as at 31 December 2020.

The key assumptions used for value-in-use calculations as per Q4 2020 are as follows:

	Mobile Offshore Drilling Units	Energy	Well Services
EBITDA margin in prognosis period	13% - 16%	5% - 7%	25% - 29%
Growth rate year 6 and forward	0.0%	0.0%	0.0%
Weighted Average Cost of Capital, pre-tax	10 %	10 %	10 %

Sensitivity analysis for goodwill impairment test

The Group has performed sensitivity analysis for the goodwill impairment test by reducing operating income by one, five and ten percent and EBITDA margin by one, five and ten percentage points respectively for each of the segments. Reducing EBITDA margin by five percentage points indicated an impairment write-down of USD 12 million in the Energy segment, while reducing EBITDA margin by ten percentage points indicated impairment write-downs of USD 12 million in the Energy segment and USD 4 million in the Well Services segment. None of the other scenarios indicated any impairment write-down of goodwill as at 31 December 2020.

Note 6 | Property, plant and equipment

USD thousands	Mobile drilling units	Periodic maintenance	Newbuild in progress	Well Services equipment	Other fixed assets	Right-of-use assets	Total fixed assets
Opening net book amount as at 1 January 2020	2,050,569	106,666	-	74,363	3,357	45,911	2,280,867
Additions	41,993	59,183	-	18,075	601	2,616	122,469
Disposals	(55)	-	-	(538)	(7)	-	(600)
Depreciation	(126,937)	(42,221)	-	(23,208)	(1,143)	(6,913)	(200,421)
Currency translation differences	-	-	-	32	79	961	1,072
Net book amount as at 31 December 2020	**1,965,571**	**123,628**	**-**	**68,724**	**2,888**	**42,576**	**2,203,387**
Opening net book amount as at 1 January 2019	1,539,951	68,271	246,788	71,238	1,883	-	1,928,132
Effect change in accounting policies	-	-	-	-	-	45,960	45,960
Additions	40,230	48,778	367,583	25,205	2,413	6,997	491,207
Disposals	(1,195)	-	-	(786)	-	-	(1,981)
Depreciation	(107,788)	(45,384)	-	(21,286)	(946)	(6,698)	(182,102)
Reclassification	579,371	35,000	(614,371)	-	-	-	-
Currency translation differences	-	-	-	(7)	7	(348)	(349)
Net book amount as at 31 December 2019	**2,050,569**	**106,666**	**(0)**	**74,363**	**3,357**	**45,911**	**2,280,867**
Useful lifetime	5 - 37.5 yrs	5 years	-	3 - 10 years	3 - 5 years	2-12 years	
Depreciation schedule	Straight line	Straight line	-	Straight line	Straight line	Straight line	

Newbuild in progress was related to Deepsea Nordkapp, a 6G harsh environment semi-submersible. The rig was constructed at Samsung Heavy Industries, South Korea, and was delivered from the shipyard 7 January 2019. The rig arrived in Norway primo April 2019, and the final completion activities was concluded 10 May 2019 when the rig commenced its contract with Aker BP.

Refer to note 7 *Leases* for more information about Right-of-use assets.

Note 6 | Property, plant and equipment - cont.

Impairment tests on mobile drilling units

Odfjell Drilling performs impairment tests on a regular basis. When evaluating the potential impairment of its mobile offshore drilling units, the Group has assessed each unit's recoverable amount. The Group acknowledges that there may be both macroeconomic and industry specific challenges when looking at a longer period of time, which a rig's lifetime is. Estimated cash flows may for these reasons vary over time and different scenarios have therefore been accounted for. The Group has in its calculations accounted for different scenarios when it comes to assumptions related to day rate, operating expenses, financial utilisation and market recovery.

In the sensitivity analysis, the estimated impairment in the different scenarios is based on the assumption that the asset will be written down to the highest of value in use and fair value less costs to sell. Rig broker estimates of fair value in a hypothetical transaction between a willing buyer and a willing seller are part of the input for estimating for fair value less cost to sell.

Based on impairment tests performed as at 31 December 2020, the Group has not identified any impairment for rigs, or reversal of previous impairment related to the 6G rigs Deepsea Atlantic and Deepsea Stavanger.

The following key assumptions have been used when conducting impairment tests for mobile drilling units:

Key assumptions	Deepsea Atlantic	Deepsea Stavanger	Deepsea Aberdeen	Deepsea Nordkapp
	6G Semi	6G Semi	6G Semi	6G Semi
Weighted Average Cost of Capital (WACC)	9.2%	9.2%	9.2%	9.2%
Firm contract days	659	150	1,412	538
Firm contract day rates (weighted average)	309	295	360	344
Future normalised base case day rates - at full market recovery	400	400	400	400
Financial utilisation in normalised period	95%	95%	95%	95%

Sensitivity analysis mobile drilling units		Deepsea Atlantic	Deepsea Stavanger	Deepsea Aberdeen	Deepsea Nordkapp
Estimated impairment write-down if:					
- WACC increased by	1 pp	32,000	34,000	42,000	47,000
- WACC increased by	2 pp	60,000	65,000	79,000	87,000
- Day rate level(*) decreased by	5%	45,000	57,000	36,000	57,000
- Day rate level(*) decreased by	10%	91,000	114,000	73,000	114,000
- Normalised opex level increased by	5%	26,000	26,000	27,000	29,000
- Normalised opex level increased by	10%	52,000	53,000	55,000	57,000
- Financial utilisation in normalised period decreased by	1 pp	10,000	12,000	9,000	13,000
- Financial utilisation in normalised period decreased by	2 pp	20,000	24,000	18,000	25,000
- Financial utilisation in normalised period decreased by	3 pp	30,000	36,000	27,000	38,000

(*) excluding firm contractual day rates

Note 7 | Leases

The balance sheet shows the following amounts related to leases:

USD thousands	Properties	Other fixed assets	Total Right-of-use assets
Net book amount as at 1 January 2020	45,530	382	45,911
Additions	2,617	1	2,617
Depreciation	(6,558)	(355)	(6,913)
Currency translation differences	988	(27)	960
Net book amount as at 31 December 2020	**42,576**	**-**	**42,576**

USD thousands	Properties	Other fixed assets	Total Right-of-use assets
Net book amount as at 1 January 2019	45,158	802	45,960
Additions	6,989	8	6,997
Depreciation	(6,289)	(409)	(6,698)
Currency translation differences	(328)	(19)	(348)
Net book amount as at 31 December 2019	**45,530**	**382**	**45,911**

The Right-of-use assets are included in the line item "Property, plant and equipment" in the balance sheet, refer to note 6.

Lease liabilities

USD thousands	31.12.2020	31.12.2019
Non-current	36,920	38,901
Current	7,633	7,757
Total	**44,553**	**46,659**

Movements in non-current lease liabilities are analysed as follows:	31.12.2020	31.12.2019
Carrying amount as at 1 January	38,901	37,814
Non-cash flows:		
New lease liabilities recognised in the year	2,616	6,981
Interest expense on lease liabilities	2,396	2,515
Reclassified to current portion of lease liabilities	(7,854)	(8,139)
Currency exchange differences	859	(270)
Carrying amount as at end of period	**36,920**	**38,901**

Movements in current lease liabilities are analysed as follows:	31.12.2020	31.12.2019
Carrying amount as at 1 January	7,757	7,911
Cash flows:		
Payments for the principal portion of the lease liability	(5,822)	(6,297)
Payments for the interest portion of the lease liability	(2,379)	(1,950)
Non-cash flows:		
Reclassified from non-current portion of lease liabilities	7,854	8,139
Currency exchange differences	223	(45)
Carrying amount as at end of period	**7,633**	**7,757**

Note 8 | Commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

USD thousands	31.12.2020	31.12.2019
Rig investments	31,644	8,869
Rental and casing equipment, due in 1 year	2,811	4,619
Total	**34,456**	**13,488**

Note 9 | Paid dividends and acquisition of own shares

The Group paid cash dividends of USD 2 million in Q2 2020 and USD 2 million in Q4 2020 to the holders of the preference shares. Refer to note 13 *Equity* for more information about the preference shares.

The Group has not acquired any of its own shares in the interim period ending 31 December 2020.

Note 10 | Earnings per share

The basic earnings per share are calculated as the ratio of the profit for the year that is due to the shareholders of the parent divided by the weighted average number of common shares outstanding.

When calculating the diluted earnings per share, the profit that is attributable to the common shareholders of the parent and the weighted average number of common shares outstanding are adjusted for all the dilution effects relating to warrants and share options.

The calculation takes account of all the warrants and share options that are "in-the-money" and can be exercised. In the calculations, warrants and share options are assumed to have been converted/ exercised on the first date in the fiscal year. Warrants and share options issued this year are assumed to be converted/ exercised at the date of issue/ grant date. The dilution effect on warrants and share options are calculated as the difference between average fair value in an active market, and exercise price and the sum of the not recognised cost portion of the options.

The Company has issued warrants for 5,925,000 common shares, and has in addition a share option plan for 960,000 common shares. The warrants represent contingently issuable shares.

Neither the warrants nor the options affect the basic or diluted number of shares in 2019 or 2020, as the terms of execution have not occurred during the years and the share price is below level set in the warrant agreement.

The warrants and share option plan may have dilutive effects in later periods.

USD thousands	Q4 20	Q4 19	FY 20	FY 19
Profit/(loss) due to owners of the parent	107,738	10,528	143,377	40,820
Adjustment for dividends on preference shares	(2,090)	(2,043)	(8,213)	(7,817)
Profit/(loss) for the period due to holders of common shares	**105,648**	**8,486**	**135,164**	**33,003**
Adjustment related to warrants and share option plan	-	-	-	-
Diluted profit/(loss) for the period due to the holders of common shares	**105,648**	**8,486**	**135,164**	**33,003**

	Q4 20	Q4 19	FY 20	FY 19
Weighted average number of common shares in issue	236,783,202	236,783,202	236,783,202	236,783,202
Effects of dilutive potential common shares:				
Warrants	-	-	-	-
Share option plan	-	-	-	-
Diluted average number of shares outstanding	236,783,202	236,783,202	236,783,202	236,783,202

	Q4 20	Q4 19	FY 20	FY 19
Basic earnings per share	0.45	0.04	0.57	0.14
Diluted earnings per share	0.45	0.04	0.57	0.14

Note 11 | Interest-bearing borrowings

USD thousands	31.12.2020	31.12.2019
Non-current	695,792	1,173,882
Current	515,799	216,581
Total	**1,211,591**	**1,390,462**

Movements in non-current borrowings are analysed as follows:	31.12.2020	31.12.2019
Carrying amount as at 1 January	1,173,882	311,819
Cash flows:		
New bank loan	25,000	825,000
Paid transaction costs related to amendments and new loan	-	(19,838)
Non-cash flows:		
Reclassified from / (to) current borrowings	(508,226)	4,212
Seller's credit raised	-	43,250
Change in transaction cost, unamortised	5,136	9,438
Carrying amount as at end of period	**695,792**	**1,173,882**

Movements in current borrowings are analysed as follows:	31.12.2020	31.12.2019
Carrying amount as at 1 January	216,581	782,980
Cash flows:		
Repayment bank loan	(208,211)	(564,253)
Non-cash flows:		
Reclassified from / (to) non-current borrowings	508,226	(4,212)
Change in transaction cost, unamortised	164	2,018
Change in accrued interest cost	(960)	48
Carrying amount as at end of period	**515,799**	**216,581**

Note 11 | Interest-bearing borrowings - cont.

Repayment schedule for interest-bearing borrowings

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining payments due at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual cash flows.

	31.12.2020	31.12.2019
Maturity within 3 months	21,053	28,053
Maturity between 3 and 6 months	67,053	74,053
Maturity between 6 and 9 months	21,053	39,053
Maturity between 9 months and 1 year	402,053	67,053
Maturity between 1 and 2 years	84,211	511,211
Maturity between 2 and 3 years	263,816	84,211
Maturity between 3 and 4 years	358,826	263,816
Maturity between 4 and 5 years	-	332,262
Maturity beyond 5 years	-	-
Total contractual amounts	**1,218,063**	**1,399,709**

The Odfjell Rig III Ltd. facility

The ECA tranches of the facility mature in July 2024, subject that the commercial tranche, which matures in November 2021, has been extended at terms satisfactory to GIEK and Kexim. In the tables above, full repayment of the USD 211 million then outstanding, has been included in November 2021.

The Odfjell Drilling Services Ltd. facility

The facility is maturing in November 2021. In the tables above, full repayment of the USD 150 million then outstanding, has been included in November 2021.

Refer to *Note 4 Financial risk management* for further information regarding liquidity risk.

USD 100 million junior bank facility (Odfjell Invest facility)

USD 40 million of the junior facility was drawn on signing in June 2019, while USD 35 million was drawn in December 2019. The remaining USD 25 million was drawn 20 March 2020.

The Odfjell Rig II Ltd. facility

The facility was repaid in full in July 2020.

Available drawing facilities

The group has no available undrawn facilities as per 31 December 2020.

Covenants

The Group is compliant with all financial covenants as at 31 December 2020.

Note 12 | Contingencies

In 2018 the company issued warrants for 5,925,000 common shares. Refer to annual report for the year ended 31 December 2019, note 23, for further description. There have been no changes to the warrant agreements in 2020.

Warrant liabilities are measured at fair value, see note 4.

The Group is aware of challenges to historic employment practices which may have an impact on the Group. This includes a challenge by HMRC into the historic application of employer's National Insurance Contributions (NIC) to workers on the UK Continental Shelf. We believe that we are in a strong position to defend this challenge and that our technical position is robust, therefore as a result we do not expect that it is probable that a liability will arise and no provision has been made.

There are no other material contingencies to be disclosed as per 31 December 2020.

Note 13 | Equity & shareholder information

Listed shares	No. of shares	Nominal value	Share capital USD thousands
Common shares issued as at 31 December 2020	236,783,202	USD 0.01	2,368

Preference shares			
Total issued preference shares as at 31 December 2020	16,123,125	USD 0.01	161

At 30 June 2020 and at 31 December 2020 preferred payment in kind dividend in a total of USD 4.1 million was capitalised, increasing the accrued preference capital balance to USD 85 million.

There are no changes in issued shares or preference shares in 2020.

Largest common shareholders at 31 December 2020	Account type	Holding	% of shares
Odfjell Partners Ltd.	Ordinary	142,476,191	60.17%
The Bank of New York Mellon SA/NV	Nominee	7,396,885	3.12%
J.P.Morgan Securities PLC	Nominee	4,873,128	2.06%
J.P.Morgan Chase Bank N.A. London	Nominee	3,992,224	1.69%
Brown Brothers Harriman & Co.	Nominee	2,852,082	1.20%
J.P.Morgan Securities PLC	Ordinary	2,820,032	1.19%
J.P.Morgan Securities PLC	Nominee	2,570,647	1.09%
The Bank of New York Mellon SA/NV	Nominee	2,385,598	1.01%
BNP Paribas Securities Services	Nominee	2,264,800	0.96%
J.P.Morgan Securities LLC	Nominee	1,976,884	0.83%
State Street Bank and Trust Co.	Nominee	1,920,375	0.81%
Cape Invest AS	Ordinary	1,837,000	0.78%
Brown Brothers Harriman & Co.	Nominee	1,835,680	0.78%
State Street Bank and Trust Co.	Nominee	1,752,618	0.74%
Citibank N.A.	Nominee	1,550,010	0.65%
Skandinaviska Enskilda Banken AB	Nominee	1,526,400	0.64%
Morgan Stanley & Co. LLC	Ordinary	1,501,107	0.63%
Skandinaviska Enskilda Banken AB	Nominee	1,500,000	0.63%
Nordnet Livsforsikring AS	Ordinary	1,111,186	0.47%
Brown Brothers Harriman & Co.	Nominee	1,090,500	0.46%
Total 20 largest common shareholders		**189,233,347**	**79.92%**
Other common shareholders		47,549,855	20.08%
Total common shareholders		**236,783,202**	**100.00%**

Note 14 | Net financial items

USD thousands	Note	Q4 20	Q4 19	FY 20	FY 19
Interest income		(21)	803	635	2,661
Interest expense lease liabilities	7	(608)	(583)	(2,396)	(2,515)
Other interest expenses		(13,716)	(20,632)	(64,145)	(85,702)
Other borrowing expenses		(1,355)	(1,325)	(5,300)	(11,456)
Capitalised borrowing costs		-	-	-	7,914
Change in fair value of derivatives [*]		(1,168)	(2,779)	4,440	(9,757)
Dividend / gain other financial investments		-	(1)	-	967
Net currency gain/(loss)		(2,696)	(5,767)	(2,830)	(3,712)
Other financial items		(462)	(365)	(1,202)	(1,161)
Net financial items		**(20,026)**	**(30,649)**	**(70,798)**	**(102,762)**

[*] Including change in fair value of warrant liabilities.

Note 15 | Related-party transactions

Odfjell Drilling Ltd., is controlled by Odfjell Partners Ltd., which owns 60.17% of the common shares. Chairman of the Board, Helene Odfjell, controls Odfjell Partners Ltd.

Susanne Munch Thore (Director) controls 3,000 (0.00%) of the common shares in the company as per 31 December 2020.

Thomas Marsoner (Director) controls 20,000 (0.01%) of the common shares in the company as per 31 December 2020.

Simen Lieungh (CEO, Odfjell Drilling AS) controls 476,190 (0.20%) of the common shares in the company as per31 December 2020.

There are no changes in the long term share option programme with Simen Lieungh (CEO, Odfjell Drilling AS) in 2020.

The Group have lease agreements with the related party Kokstad Holding AS Group (related to main shareholder). Reported lease liability to Kokstad Holding AS Group as at 31 December 2020 is USD 37 million, while payments in Q4 2020 and FY 2020 amounts to USD 1.4 million and USD 5.6 million respectively.

There are no material changes in related party transactions in 2020.

Note 16 - Important events occurring after the reporting period

Lundin awards letter of intent to Deepsea Stavanger

Lundin Energy Norway and Odfjell Drilling have, on 25 January 2021, signed a letter of intent for the use of Deepsea Stavanger. The letter of intent is subject to finalization of contract and final approvals from involved parties. The contract is set to commence in Q3 2021 with a duration of one (1) firm well plus eight (8) optional wells. The firm contract scope has an estimated contract value of approximate USD 11-14 million plus incentives. The contract is set to commence in Q3 2021, back-to-back with Deepsea Stavanger's upcoming five well contract with Aker BP.

There have been no other events after the balance sheet date with material effect on the quarterly financial statements ended 31 December 2020.